

HART SCHAFFNER & MARX



Forty-sixth Annual Report
November 30, 1956

EXECUTIVE OFFICES

36 SOUTH FRANKLIN STREET
CHICAGO 6, ILLINOIS



BOARD OF DIRECTORS

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JOHN D. GRAY	JOEL SPITZ
WALTER M. HEYMANN	CLAY E. STEELE
MEYER KESTNBAUM	HARRY L. WELLS



OFFICERS

MEYER KESTNBAUM	<i>President</i>
JOHN D. GRAY	<i>Vice-President</i>
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CLAY E. STEELE	<i>Secretary and Treasurer</i>
R. W. GARBE	<i>Comptroller and Assistant Secretary</i>
J. S. GORE	<i>Assistant Treasurer</i>



TRANSFER AGENTS

The First National Bank of Chicago
Chicago 90, Illinois
Bankers Trust Company
New York 15, N. Y.

REGISTRARS

Continental Illinois National Bank and Trust Company of Chicago
Chicago 90, Illinois
The New York Trust Company
New York 15, N. Y.

HART SCHAFFNER & MARX

CHICAGO

NEW YORK

March 4, 1957

To the Stockholders:

The fiscal year which ended November 30, 1956 was a satisfactory one for your company. The annual report for the year submitted herewith reflects an improvement in both sales and profits. Consolidated sales reached an all time high of \$79,531,828 as compared with \$74,771,105 for 1955. Earnings after taxes were \$2,457,831 as compared with \$1,736,352 for the previous year.

The income tax provision for the year was less than normal due to a special tax deduction arising from losses taken into account in prior years on a retail subsidiary now liquidated. Even without giving effect to this item, however, the profit showing was the best that the company has achieved during the last eight years. Both the manufacturing and the retail divisions of the business contributed to this improvement.

Under our program of retail development three additional stores were opened during the year. In May a new Hastings store was opened in the Stanford Shopping Center in Palo Alto, California. Baskin of Chicago opened a new store in the Old Orchard Shopping Center in December, and in the same month Wallach's added a new unit in Roosevelt Field, Long Island. We are pleased with the initial response to these stores.

Expenditures for leasehold improvements and fixtures in retail stores in 1956 were slightly in excess of \$1½ million. The program for the current year includes additional units in the New York, Chicago, Los Angeles and San Francisco areas, as well as improvements to existing stores.

These investments in retail affiliates have contributed substantially to the growth of the company, but the resulting increase in sales has also had the effect of increasing our capital requirements. As a result the company is making more extensive use of bank credit. As at the end of the fiscal year indebtedness to banks amounted to \$7,000,000. On January 31 it stood at \$6,000,000.

As a result of a general wage increase which went into effect in June 1956 clothing prices are slightly higher than they were at this time last year. However, the total increase over a period of years has been moderate. We are making every effort

to minimize price increases because we regard the maintenance of price stability as a highly important objective not only for our own industry but also for the economy as a whole.

We believe that the general outlook for 1957 is favorable. Our wholesale distribution both in the Hart Schaffner & Marx and Society Brand divisions has been strengthened in a number of important cities throughout the country. On the basis of advance orders now in hand we anticipate that our factories will operate at capacity for the first six months of the year. There is every reason to expect that our company can look forward to another successful year.

Respectfully submitted,

MEYER KESTNBAUM

President

HART SCHAFF AND SUBSIDIARIES

CONSOLIDATED

November 30,

Assets

	1956	1955
Current Assets:		
Cash	\$ 2,662,084	\$ 2,439,300
Notes and accounts receivable:		
Trade, less allowances for doubtful balances and discounts	10,940,240	9,893,320
Other	475,098	328,328
Inventories:		
Factory inventories at cost or market, whichever is lower for current season's goods and estimated realizable value for past seasons' goods; retail stores' inventories at cost or market whichever is lower	24,946,584	22,369,203
Prepaid rentals, insurance, supplies, etc.	629,958	624,892
Total current assets	<u>\$39,653,964</u>	<u>\$35,655,043</u>
Other Assets:		
U. S. Government securities (at cost) on deposit under lease agreements	\$ 69,580	\$ 69,580
Sundry investments, etc.	158,983	64,132
Cash surrender value of life insurance policies	125,577	136,800
	<u>\$ 354,140</u>	<u>\$ 270,512</u>
Properties, at cost:		
Building, shop equipment, furniture and fixtures	\$11,975,158	\$11,237,964
Less—Accumulated depreciation	6,418,842	5,951,797
	\$ 5,556,316	\$ 5,286,167
Leasehold and leasehold improvements, less amortization	5,637,900	5,198,073
Land	708,841	748,341
	<u>\$11,903,057</u>	<u>\$11,232,581</u>
Goodwill, Trade Names and Trademarks	<u>\$ 1</u>	<u>\$ 1</u>
	<u>\$51,911,162</u>	<u>\$47,158,137</u>

NER & MARX

RY COMPANIES

BALANCE SHEET

1956 and 1955

Liabilities

	1956	1955
Current Liabilities:		
Notes payable	\$ 7,000,000	\$ 3,500,000
Current maturity of funded debt	750,000	670,000
Accounts payable:		
Trade	4,438,809	3,997,615
Other	1,363,733	1,250,269
Accrued salaries, wages and rents	977,302	1,068,094
Accrued taxes (other than taxes on income)	517,200	477,316
Federal and state taxes on income	1,319,854	1,710,338
Total current liabilities	\$16,366,898	\$12,673,632
 Funded Debt:		
3 $\frac{3}{8}$ % note payable, due June 1, 1969	\$ 6,005,000	\$ 6,675,000
Less—Current maturity		
transferred to current liabilities	750,000	670,000
	\$ 5,255,000	\$ 6,005,000
 Advance by lessor toward leasehold improvements by subsidiary company payable monthly over lease expiring in 1977		
	212,341	218,994
	<u>\$ 5,467,341</u>	<u>\$ 6,223,994</u>
 Minority Stockholders' Interest	\$ 149,383	\$ 130,822
 Stockholders' Equity:		
Common stock—Par value \$10.00 per share		
Authorized—750,000 and 375,000		
shares for the respective years		
Issued—468,750 and 375,000 shares	\$ 4,687,500	\$ 3,750,000
Capital surplus	3,632,782	2,071,381
Earnings retained for use in the business:		
Appropriated for contingencies	700,000	700,000
Unappropriated, per accompanying statement	21,383,853	22,084,865
	<u>\$30,404,135</u>	<u>\$28,606,246</u>
 Deduct—Treasury stock		
31,127 and 24,900 $\frac{1}{2}$ shares for the		
respective years	476,595	476,557
	<u>\$29,927,540</u>	<u>\$28,129,689</u>
	<u><u>\$51,911,162</u></u>	<u><u>\$47,158,137</u></u>

See notes to financial statements

HART SCHAFFNER & MARX

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME AND UNAPPROPRIATED RETAINED EARNINGS

For the fiscal years ended November 30, 1956 and 1955

	1956	1955
Net sales and operating revenues	\$79,531,828	\$74,771,105
Dividends from sundry investments, interest and other income	211,879	101,751
Total	<u>\$79,743,707</u>	<u>\$74,872,856</u>
Less:		
Cost of goods sold and occupancy expenses (exclusive of depreciation and amortization)	\$56,296,388	\$53,244,778
Depreciation and amortization	1,096,066	1,016,888
Selling, general and administrative expenses	17,535,161	16,395,802
Interest paid	489,940	408,892
Sundry income deductions		2,482
Minority interest in net profit of subsidiaries	12,277	7,125
	<u>\$75,429,832</u>	<u>\$71,075,967</u>
Income before deducting provision for taxes	<u>\$ 4,313,875</u>	<u>\$ 3,796,889</u>
Provision for taxes on income:		
Federal income taxes	\$ 1,800,597	\$ 2,014,017
State income taxes	55,447	46,520
	<u>\$ 1,856,044</u>	<u>\$ 2,060,537</u>
Net income for the year	<u>\$ 2,457,831</u>	<u>\$ 1,736,352</u>
Earnings retained for use in the business at beginning of year	22,084,865	20,908,672
	<u>\$24,542,696</u>	<u>\$22,645,024</u>
Dividends:		
Cash—\$1.60 per share	\$ 665,093	\$ 560,159
Stock—25%—93,750 shares at quoted market value	2,493,750*	—
	<u>\$ 3,158,843</u>	<u>\$ 560,159</u>
Earnings retained for use in the business at end of year	<u>\$21,383,853</u>	<u>\$22,084,865</u>

*The \$1,556,250 excess of market over par value of the stock has been added to capital surplus

See notes to financial statements

REPORT OF ACCOUNTANTS

To the Board of Directors of
Hart Schaffner & Marx:

In our opinion, the accompanying financial statements present fairly the consolidated position of Hart Schaffner & Marx and subsidiary companies at November 30, 1956, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of the statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Chicago, Illinois
January 29, 1957

PRICE WATERHOUSE & CO.

NOTES TO FINANCIAL STATEMENTS

Under the terms of the agreement relating to the $3\frac{5}{8}\%$ note payable, due June 1, 1969, \$17,896,515 of the total consolidated unappropriated retained earnings at November 30, 1956 is restricted as to payment of cash dividends.

As at November 30, 1956 the company and its subsidiaries occupied properties under seventy-seven lease agreements with terms expiring from one to forty-one years after that date, and requiring a minimum rental payment of approximately \$2,105,000 for 1957. Certain of the leases provide for payment of taxes by the lessees and additional rental based upon a percentage of sales in excess of stipulated minimums.

Under a restricted stock option plan approved by the Board of Directors all of the company's shares held in treasury are reserved for options to be granted to officers and key employees. On February 21, 1956 options were granted to thirty-seven officers and employees for the purchase of 24,550 shares at the quoted market price on that date.

TEN YEAR

	1956	1955	1954	1953
Net Sales and Operating Revenue	\$79,531,828	\$74,771,105	\$66,575,717	\$68,866,677
Federal Income Taxes Per Share	1,800,597 4.11	2,014,017 4.60	1,431,657 3.27	1,580,005 3.61
Net Earnings After Federal Income Taxes Per Share	2,457,831 5.62	1,736,352 3.97	1,228,566 2.81	1,425,196 3.26
Dividends Paid in Cash Per Share	665,093 1.60	560,159 1.28	560,159 1.28	560,159 1.28
Excess of Earnings Over Cash Dividends	1,792,738	1,176,193	668,407	865,037
Property Additions*	1,836,075	997,072	939,179	245,118
Current Assets	39,653,964	35,655,043	32,650,319	34,681,643
Current Liabilities	16,366,898	12,673,632	10,127,373	14,676,141
Net Working Capital	23,287,066	22,981,411	‡22,522,946	20,005,502
Fixed Assets—Less Depreciation and Amortization	11,903,057	11,232,581	11,307,028	11,336,157
Net Worth Per Share	29,927,540 68.39	28,129,689 64.28	26,952,079 61.59	26,280,108 60.05

The per share figures for Federal Income Taxes, Net Earnings, Dividends, and Net Worth for years prior to 1956 have been adjusted on the basis of the number of shares outstanding at November 30, 1956.

*Retail store leasehold improvements and equipment—Real Estate—Factory Building and manufacturing equipment, exclusive of properties acquired through purchase of subsidiary companies.

‡During the year 1954 the 3½% debentures of \$4,765,000 were retired and a new 3⅝% note in the amount of \$7,265,000 payable in annual installments over a fifteen year period was issued. The net proceeds of \$2,500,000 (less

SUMMARY

1952	1951	1950	1949	1948	1947
\$62,263,140	\$61,672,439	\$59,257,388	\$57,773,088	\$63,037,888	\$56,527,917
807,453 1.85	1,721,211 3.93	1,217,049 2.78	975,298 2.23	2,025,253 4.63	2,307,804 5.27
1,035,420 2.37	1,518,752 3.47	1,647,733 3.77	1,638,746 3.74	2,927,852 6.69	3,284,384 7.51
560,159 1.28	567,412 1.28	780,192 1.76	851,118 1.92	851,118 1.92	855,678 1.92
475,261	951,340	867,541	787,628	2,076,734	2,428,706
511,656	1,290,444	2,098,111	2,419,324	3,476,655	3,203,618
31,226,448 12,129,777	31,051,499 12,571,725	29,724,708 11,496,923	24,786,344 5,852,690	28,033,290 10,088,636	22,121,816 9,090,219
19,096,671	18,479,774	18,227,785	**18,933,654	†17,944,654	13,031,597
12,038,940	11,902,302	11,357,234	10,032,562	8,385,328	5,547,903
25,415,675 58.08	24,387,368 55.73	23,509,594 53.72	22,620,580 51.69	21,832,952 49.89	19,756,218 45.14

\$590,000 payable in 1955 which is included in current liabilities of 1954) were added to working capital.

**During 1949 the company issued an additional \$2,000,000 of 3½% sinking fund debentures, the proceeds from which (less \$485,000 payable in 1950 which is included in current liabilities of 1949) were added to working capital.

†In 1948 the company issued \$6,000,000 of 3½% sinking fund debentures, the proceeds from which (less \$400,000 payable in 1949 and included in current liabilities of 1948) were added to working capital.

